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NEW ISSUE

AVERAGE WEEKLY EARNINGS: NEW SERIES TO REPLACE FORMER PAYROLL TAX BASED SERIES

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This paper describes the conceptual and methodological changes associated with the replacement of the AVERAGE WEEKLY EARNINGS SERIES based on payroll tax data with a new statistical series of average weekly earnings based on a quarterly survey of employers.

For reasons explained in an earlier *Information Paper: Review of ABS Employment Statistics* (6239.0)—payroll tax records had become unreliable as a statistical source and data from them has not been compiled by the ABS since the September quarter 1981.

The new quarterly survey of about 3,600 employers was introduced in September quarter 1981 and is designed to obtain employment and earnings information in respect of a specified week generally at or about the middle of the quarter.

One of the primary aims of the new statistical series is to measure the trend of average earnings. Accordingly, the data collected relates to those elements of earnings which as a general rule, are received by employees regularly. Back pay, pre-payments and irregular bonuses are excluded from the data.

One of the quarterly collections each year will obtain more detailed dissections of earnings and information on hours paid for, replacing the annual October surveys of earnings and hours which will no longer be conducted.

The reference dates for the December quarter survey will be somewhat earlier in the quarter than for the other quarters, to permit the reporting and processing workload to be substantially completed before the Christmas period.

The quarterly earnings series which the new surveys will provide will differ in many important ways from the payroll tax based series they will replace. The major differences are outlined below.

OLD SERIES BASED ON PAYROLL TAX DATA	NEW SERIES BASED ON QUARTERLY SURVEY OF EMPLOYERS
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Scope and data sources

Estimates of average weekly earnings of civilian wage and salary earners in industries other than agriculture and private domestic service were obtained from ABS processing of State and Territory Payroll tax records and direct returns from government and other bodies. Estimates were made of number of employees and wages and salaries not covered by these sources.

Data are obtained directly from a sample of private and government employers. All wage and salary earners who received pay in respect of the reference period are represented in the survey except: members of the Australian permanent defence forces; employees of establishments primarily engaged in agriculture; employees in private households employing staff; waterside workers employed on a casual basis; employees on workers' compensation and employees based outside Australia.

Although the ABS register of economic units from which the sample is drawn is not complete, the deficiency is much less than the numbers of employees not covered by payroll tax (together with government sources) and no estimate is made for the missing component. Action is being taken to bring the coverage of the register as close as possible to being complete. The survey results will be subject to sampling error.

OLD SERIES BASED ON PAYROLL TAX DATA	NEW SERIES BASED ON QUARTERLY SURVEY OF EMPLOYERS
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Derivation of male employee earnings

The sources of data used did not provide male and female earnings separately. An estimate was therefore made from the latest information available from other sources of the ratio of female to male earnings; average weekly earnings were then calculated in terms of *male units*, i.e. total male employees plus a proportion of the number of female employees based on the estimated ratio of female to male earnings.

Data on male and female earnings are obtained direct from employers and published results include dissections by sex of employee.

Other dissections of earnings

A series for Average Weekly Ordinary Time Earnings, Full-time Non-managerial Adult Male Employees, Australia, was produced by using information from other sources on the relationship of overtime to ordinary time earnings, adult to junior earnings, etc. The statistics obtained were relatively less accurate than those in the main employed male unit series.

Each quarter's survey will obtain separate figures on ordinary time and overtime earnings of full-time adult male and female employees, and figures on total earnings of other employees. Additional dissections will be obtained in one quarter each year.

Reference period and timeliness

Average Weekly Earnings series were compiled from data relating to wage and salary payments made over a full quarter and therefore included the effects of changes occurring at any time during the quarter. Changes, such as national wage increases, which occurred early in a quarter clearly affected that quarter's average more than those which occurred later in a quarter.

The reference period for the survey generally will be a pay week ending at or shortly before the middle of the quarter.

The series were subject to some lag in reflecting changes in wage rates because some payroll taxpayers are permitted to submit periodic (i.e., 3, 6 or twelve monthly) returns, and an appreciable number of other taxpayers submit monthly returns well after they are due. The extent of such lags varied from time to time as a consequence of administrative action or external factors, such as postal hold-ups preventing the filing of returns.

Apart from the effects of external factors such as postal delays, the survey will not be subject to similar lags.

Taking the quarter's average to represent approximately the mid-point of the quarter, preliminary results were generally available within about 16 weeks of that reference point.

Preliminary results will generally be published about 12 weeks after the reference period.

Data item specification

Data items on payroll tax returns comprise total earnings (with some dissection into components) as required for calculation of payroll tax liability, and male and female employment. The earnings figures are not dissected for male and female employees. Retrospective payments, such as pay for backdated increases, and payment in advance, such as pay for leave extending into the following quarter, are included. All bonuses and commissions in the nature of wage and salary payments are included, whether they relate to the reference period or not.

Since the main objective of the survey is to measure the short term trend of earnings, data collected in the survey refers only to earnings appropriate to that week. Back pay, prepayments and irregular bonuses are excluded. Bonuses and commissions received on a frequent and regular basis are included.

OLD SERIES BASED ON PAYROLL TAX DATA	NEW SERIES BASED ON QUARTERLY SURVEY OF EMPLOYERS
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Seasonal and calendar variations

Payments in any quarter are subject to:

- (a) seasonal variations in prepayments for leave, overtime worked, and
- (b) preferences for certain days for ending pay periods and variations in the number of such days in successive calendar quarters. An example is the variation between 6 or 7 government fortnightly pay-periods in different quarters.

Since the reference period is a single pay week, quarter-to-quarter calendar variations and seasonal variations in pre-payment of leave, payment of leave loading or other bonuses will not affect the estimates. Other residual seasonal influences which may remain cannot be assessed until several years of survey data are available. It is expected that they will be of minor importance.

Revisions

The average weekly earnings series were subject to extensive revision, sometimes dating back a number of years, because of regular re-analysis of seasonal factors and revisions to data from other sources which was used in calculating some elements of the series.

There will generally be no revision to final estimates produced from the survey. To provide results as quickly as possible, preliminary estimates will be made available based on a majority of returns. These preliminary estimates will be subject to revision when the collection is finalised.

Linking of the old and new series

The conceptual and methodological differences outlined above make it difficult to make direct comparisons of the new and old series. The publication will, however, show results of the current and replacement collections expressed in index form linked to a common base.

A method of calculating an approximation of the new series for quarters earlier than September 1981 is also contained in the publication. Because of the differences between the two series and the fact that the link is only available for September quarter 1981, care should be taken in interpreting earnings figures so derived.

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